

CONDITIONS FOR ACCESSING PENSION BENEFITS



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1. Introduction - Entitlement to benefits in the Teachers' Pension Scheme

This paper has been written to assist employers with the subject of entitlement to benefits under the Teachers' Pension Scheme. This has become more complex for members who may have service linked to Normal Pension Age (NPA) 60 and 65 sections of the 2010 Final Salary arrangement and NPA equal to State Pension Age or 65, whichever is higher, in the 2015 Career Average arrangement.

Various points covered in this paper include:

- The conditions needed to access the different types of retirement in the Teachers' Pension Scheme in respect of Age Retirement on or after NPA, Early Retirement (Actuarially Adjusted Benefits), Additional Service after Retirement (ASAR), Phased Retirement, Premature Retirement and Ill-health Retirement.
- Payable dates for different types of retirement, including when in re-employment, and the effect of an 'in-service' or 'out-of-service' application;
- Transition to and qualification for benefits in the 2015 Career Average arrangement;
- The conditions for late retirement enhancement in the NPA 65 section of the 2010 Final Salary and 2015 Career Average arrangements;
- The difference in treatment for those taking early retirement benefits in the 2015 Career Average arrangement compared with the 2010 Final Salary arrangement;
- Points to consider about either remaining in the 2010 Final Salary arrangement or taking 2010 Final Salary benefits and additionally accruing further service in the 2015 Career Average arrangement;
- Where abatement applies for Age and Premature retirement in the 2010 Final Salary arrangement;
- Certain areas where independent advice may be required. Please note, however, that there may be other scenarios which are not covered in this paper. Employers should direct members to seek their own independent financial advice, as well as their own independent advice;
- Examples of cases where these various conditions apply; and
- Former NHS nurse and Mental Health Officer teachers with a retained right to retire at 55 on unreduced benefits.

In all cases, we recommend that employers should encourage members to seek independent financial advice. Where there is any difference between the legislation governing the Teachers' Pension Scheme and the information in this factsheet, the legislation will apply.

2. Various conditions for accessing pension and lump sum benefits in the Teachers' Pension Scheme

There are certain conditions that need to be satisfied before members can access pension benefits from the Teachers' Pension Scheme. The 'payable date' or 'entitlement day' may also vary depending on the type of retirement and whether the application was made while in service or out-of-service. There may also be certain differences in the conditions between the 2010 Final Salary arrangement and the 2015 Career Average arrangement.

There is also commentary on some of the effects of taking benefits, such as 'abatement' - this is where any pension from the 2010 arrangement will stop, depending on the level of any re-employment earnings in the relevant tax year.

While not exhaustive, some of the most common scenarios are covered in the following sections.

3. Age Retirement on or after NPA (2010 Final Salary and 2015 Career Average arrangements)

'Pensionable employment' in the 2010 Final Salary arrangement and 'pensionable service' in the 2015 Career Average arrangement is where a person accrues benefits in the Teachers' Pension Scheme. Contributions are also payable in respect of that employment or service. A member who has ceased all pensionable employment /service at or after NPA in the relevant arrangement will automatically become entitled to Age retirement benefits in that arrangement. Similarly, those members who are opted out at or after NPA will become entitled to Age Retirement benefits under the regulations covering the 2010 Final Salary and 2015 Career Average arrangements. Please also note that if a member remains in pensionable service without a break up to the age of 75, their 75th birthday will be the payable date.

It should be noted that the conditions for Age retirement are NOT the same as the conditions for retirement in respect of Additional Service after Retirement (ASAR) from the 2010 Final Salary arrangement on or after attaining NPA i.e. "Age ASAR". Entitlement to benefits under **Age ASAR** is covered in **Section 5** of this paper.

Entitlement

As stated above, a member of the Teachers' Pension Scheme can become entitled to an award of Age Retirement benefits on either:

- Ceasing all contracts of employment falling under the Teachers' Pension Scheme. Where there is a contractual cessation of employment and the member not in pensionable employment / service on or after NPA, there must be a break in employment for at least one day before a person is re-employed; or
- Opting out of the Teachers' Pension Scheme in respect of all employments covered by the regulations, so that the individual is no longer in pensionable service at or after NPA. If a member is in more than one employment, individual opt outs are required in respect of all employments covered by the regulations.

Payable date

The payable date for benefits will be the first day of being out of all pensionable service. With regard to opting-out, the opt-out is effective from the 1st of the month following the date the opt-out form is received by Teachers' Pensions.

Please also be aware that benefits cannot come into payment until a person completes a retirement application form. If there is any delay in applying for the Age Retirement benefits, the Age Retirement award will be backdated to the earlier payable date and interest applied (if applicable).

Late retirement factor

A late retirement enhancement is applied to members who remain in pensionable service after their NPA in the NPA65 section of the Final Salary arrangement or after their NPA in the 2015 Career Average arrangement, but only to those benefits accrued up to the date of the relevant NPA. The late retirement enhancement does not apply to members who are out of service after NPA and who apply late, but interest may be payable on any lump sum or pension that is paid more than one month after the due date. Interest is not applicable in Phased Retirement cases.

Re-employment after retirement and abatement

If a person returns to pensionable service or remains in eligible employment after opting out, the Age Retirement, Age ASAR and Premature Retirement pensions from the 2010 Final Salary arrangement will be subject to 'abatement'. Abatement does not apply to a pension from the 2015 Career Average arrangement, but where a member has pensions from both the 2010 Final Salary and 2015 Career Average arrangements, the Career Average pension will be used to assess whether a member's total pension and new salary exceeds their Salary of Reference. Where it does the Final Salary pension will be stopped or abated, but the Career Average pension will remain in payment.

What is abatement?

Abatement is where a person's post retirement earnings in employment covered by the Teachers' Pension Scheme and the gross amount of pension paid in the tax year exceeds the member's index-linked 'salary of reference' in the relevant tax year. Depending on the person's level of expected re-employment earnings, the pension will either cease at the beginning of the tax year or at a point in the tax year when the indexed-linked salary of reference is exceeded. Abatement is assessed by means of Certificate of Re-employment or, for those where the employer is using MDC (Monthly Data Collection), by an automated process. Please note, however, that there will be instances where a Certificate of Re-employment is still required, even where MDC is being used. For example, where the member is in irregular part-time employment. Teachers' Pensions will inform the member and request that a Certificate of Re-employment is provided.

The abatement of pension cannot be assessed until the individual has submitted an Age Retirement application. Once the benefits award has been calculated, allowing for the person's option to convert pension to lump sum (if applicable), the effect of re-employment on the member's pension in that tax year (or proportion of the tax year in the first year of Age Retirement) can be assessed. If there is a delay in claiming retirement benefits, Certificates of Re-employment will be required on a retrospective basis unless the employer was submitting service and salary via MDC and no manual calculation is required.

If the employer is on MDC and a Certificate of Re-employment is still required, Teachers' Pensions will advise the member and the employer separately. Any automatic lump sum or converted lump sum will not be affected by abatement. Similarly, any previous Early Retirement (Actuarially Adjusted Benefit), Phased Retirement or Career Average pension in payment will not be abated, but these pensions will be taken into account in the abatement calculation for Age Retirement or Premature Retirement.

3.1 Future accrual in the 2015 Career Average arrangement after taking benefits in the 2010 Final Salary arrangement

Where a person, who had been protected in the 2010 Final Salary arrangement, leaves all pensionable service after reaching their NPA of 60 or 65, they become 'entitled' to the benefits, although the benefits will not come into payment until an application has been made and accepted by Teachers' Pensions. If the person re-joins 'eligible employment' or opts back into pensionable service, they will automatically join the 2015 Career Average arrangement, regardless of whether they apply for their Final Salary pension benefits or not.

Hence, future service in the Teachers' Pension Scheme will be in the 2015 Career Average arrangement with a NPA linked to the person's State Pension Age at the point of retirement. If a person re-enters pensionable employment, an opt-in is not required. If a member had opted out of all pensionable service and then wishes to re-join the Teachers' Pension Scheme, they will need to submit an election to join form for each employment they wish to opt-in for. An opt-in is effective from the 1st day of the month following the month when Teachers' Pensions receive the opt-in election. If a member is being auto-enrolled into the Teachers' Pension Scheme the employer will need to complete an enrolment template.

Remember, if a member has become entitled to benefits after NPA by opting-out, they will need to opt-in to the 2015 Career Average arrangement by completing an 'election to join' form. This is because an opt-out made under the 2010 Final Salary arrangement continues to have effect in the 2015 Career Average scheme.

Unless a person takes up a new employment in the meantime, leading to contractual enrolment, the minimum period before a person can opt back into the Teachers' Pension Scheme again is one calendar month. This assumes timely submission of the election to join from by the member and the employer.

For most participating employments in the Teachers' Pension Scheme (e.g. Local Authorities and academies, Further and Higher education establishments, post 1992 universities, accepted independent schools, Function Providers) an election to join form should only be used where the member has previously opted out. As stated above, the enrolment template is to be used where a previously opted-out member is auto-enrolled in the Teachers' Pension Scheme or they receive a new contract of employment which requires contractual enrolment.

Please be aware that before a person can qualify for benefits in the 2015 Career Average arrangement, the member needs to have completed one years' further employment in the 2015 arrangement to become qualified for Career Average pension benefits.

Please also note that, regardless of whether or not you choose to opt-in to the 2015 Career Average arrangement for future accrual, your pension from the 2010 Final Salary arrangement will be subject to abatement and that your post-benefit earnings in any eligible employment will be taken into account when assessing if abatement applies.

3.2 Points to consider before opting-out or taking up a new contract/new employment

A person should think carefully about opting out of all employments on or after NPA or taking up a new contract/new employment after a break of at least one day, thereby becoming entitled to benefits in the 2010 Final Salary scheme. Future benefits will accrue in the 2015 Career Average arrangement. It is recommended that a person seeks independent financial advice before undertaking these actions.

Matters to consider include:

- If the member has a new contract with an existing establishment after a break of at least one day, employment law should be considered regarding redundancy and employment rights. An employer may have a policy on breaks in employment and may require a break of more than a day (e.g. at least 7 days or 28 days, where the person is remaining with the same employer (these considerations would not apply where a member does not join a completely

new employer with a break of at least one day, or a member who opts-out of all existing employments on or after attaining NPA);

- Whether to opt back into the Teachers' Pension Scheme in respect of all, or if in multiple employment, some of the employments;
- A potential gap in service where the individual will not be covered for the 'in-service' death grant;
- For transition members, the impact of the link to final salary in respect of their previous service in the 2010 Final Salary scheme and whether a reduction in salary in the future may impact on the best final average salary used to calculate their 2010 Final Salary pension benefits - will their 'best' salaries fall out of the best 3 consecutive years in the last 10 years calculation?
- For members with transition protection in the 2010 Final Salary arrangement, what the future benefits might be in respect of future accrual in the 2015 Career Average arrangement compared with retaining membership of the Final Salary arrangement; and
- For transition members who have moved into the 2015 Career Average arrangement, what the future pension benefits will be if they retain the salary link in the 2010 Final Salary scheme, where adjusted salaries earned in the 2015 Career Average arrangement are used to determine the best final average salary for 2010 Final Salary pension benefits.

Some of the differences in the benefits between the 2010 Final Salary and the 2015 Career Average arrangements can be seen in ANNEX 1.

The assumptions in making any comparison should take account of:

- The merits of receiving any automatic lump sum or converted lump sum from the 2010 Final Salary arrangement early; and
- Future salary growth by remaining in the 2010 Final Salary arrangement or the retention of a Final Salary link as a member of the 2015 Career Average arrangement.

Compared with:

- Future accrual in the 2015 Career Average arrangement, plus any pensions increase on the 2010 Final Salary pension in payment, albeit that any pension from the 2010 Final Salary arrangement be subject to abatement during a period of re-employment depending on the level of re-employment earnings;

- The minimum period of one year before a person qualifies for an ASAR pension in the 2015 Career Average arrangement. If the member does not complete the one year qualification period they will be entitled to an annuity based on their contributions plus interest. If the one year qualification period is completed, the member will be able to apply for ASAR at a later date. ASAR is another type of retirement award referred to later in this document' and
- Whether the extra pension flexibilities available in 2015 Career Average arrangement should be exercised, namely: Faster Accrual; or the Buy-out of the standard reduction.

Both the 2010 Final Salary arrangement and the 2015 Career Average arrangement provide for Additional Pension, but elections to purchase Additional Pension are only available up to age 65 in the Final Salary arrangement. NPA 60 members wishing to purchase Additional Pension over age 60 can do so using factors based on a NPA of 65. A member of 2010 Final Salary arrangement who opts out will begin to accrue benefits in the 2015 arrangement and will be able to purchase Additional Pension based on a NPA linked to State Pension Age or 65, whichever is higher.

In addition, such members can buy Faster Accrual each year, or Buy-out of the standard reduction. In the case of the former the election must be made within one month of joining the Career Average arrangement, and lasts for the remainder of the Scheme financial year, and for the latter within 6 months of joining the Career Average arrangement and lasts until retirement or it is revoked.

Example - Angela, a head teacher in a secondary school, resigns her post on in the summer and agrees a leaving date of 31 August. Angela applies for early retirement on an actuarially adjusted basis with a payable date of 1 September and is issued with her P45.

A new head teacher is appointed, with a view to commencing the post on 1 September. Circumstances change and the new head teacher is unable to take up the post. Angela has already made financial commitments and wishes to take the benefits, but following an approach by the Governing Body, Angela agrees to come back in a head teaching role under a new contract from 2 September.

As Angela is starting work under a new contract, she may enter a new pay range as a result of her new contract of employment.

Members should seek independent financial advice regarding any decision to take up pension flexibilities, and assess the implications in terms not only of cost, but also any consequential effects that may arise, e.g. the impact on Annual and Lifetime Allowance.

Please note that Teachers' Pensions are not able to provide any financial advice on these matters and it is recommended that individuals consult with an Independent Financial Advisor.

4. Early Retirement (Actuarially Adjusted Benefits) before NPA (Normal Pension Age)

Early Retirement in the 2010 Final Salary arrangement and Early Retirement in the 2015 Career Average arrangement (i.e. NOT arising from ASAR)

Entitlement

In both the 2010 Final Salary and 2015 Career Average arrangements, a member who has qualified for benefits must leave all pensionable and excluded employment * (i.e. referred to as 'eligible employment' in the 2014 regulations) in order to become entitled to benefits on early retirement.

* *Definitions - 'Excluded employment' is a term used in the 2010 Final Salary arrangement in the 2010 regulations, and relates to members who have either-opted out or have remained in the same pre-1 January 2007 contract as a part-time member or re-employed pensioner and have not elected to join the scheme. The term 'pensionable employment' in the 2010 regulations is equivalent to the term 'pensionable service' in the 2015 Career Average arrangement (i.e. the 2014 regulations). Under the 2014 regulations governing the 2015 Career Average arrangement, the equivalent of 'pensionable' and 'excluded employment' is referred to as 'eligible employment' i.e. all employment covered by the Career Average arrangement. There is no direct equivalent of 'excluded employment' in the 2014 regulations.*

Payable date

If the member applies **while in pensionable or excluded employment** the payable date for the Early Retirement (Actuarially Adjusted Benefits) is the day after leaving eligible employment.

If the member applies **after leaving eligible employment**, the payable date must be a date not less than 6 weeks after the date that the application was made. Please be aware that if a member applies as a person out of all teaching employment covered by the regulations, and the person returns to work during the 6 weeks leading up to the payable date, this will invalidate the award of benefits. A person will then need to re-apply as an 'in-service' member or make another application outside of eligible employment, setting a date of not less than 6 weeks after the application is made.

Re-employment after retirement and abatement

There is no abatement applicable to Early Retirement (Actuarially Adjusted Benefits) in the 2010 Final Salary or 2015 Career Average arrangements, but these benefits will be taken into account in terms of the abatement calculations applicable to any Age Retirement, Age ASAR and Premature Retirement pension in payment from the 2010 arrangement.

Standard reduction, actuarial reduction and Buy-out of the standard reduction.

Please note that there is a difference in the application of the reduction in benefits from the 2015 Career Average arrangement, depending on whether a person retires as an active or deferred member. If the person retires as an active member, a standard reduction of 3% per annum will apply between age 65 and the person's NPA e.g. a State Pension Age of 66, 67 or 68, or a sliding scale State Pension Age. If a person retires having had a break in pensionable service before taking benefits, i.e. from a position of being a deferred member, an actuarial reduction will apply from the person's NPA, rather than the standard reduction of 3%.

In cases where a member has paid contributions to Buy out some or all of the standard reduction, the value of this Buy-out will be taken into account in the early retirement calculation, whether the member takes benefits from active status or deferred status. A member must make the election to Buy out the standard reduction within 6 months of entering pensionable service in the Career Average arrangement.

4.1 Retirement conditions in respect of transition members with pension rights under the 2010 Final Salary and the 2015 Career Average arrangements

Conditions for payment in respect of transition members

Transition members are those with rights to benefits in both the 2010 Final Salary and 2015 Career Average arrangements. If a member applies for benefits before the NPA in the 2010 arrangement or after the NPA in the 2015 Career Average arrangement, both the Career Average and Final Salary benefits have to be taken at the same time, assuming the relevant conditions are met.

If a transition member applies for benefits after the NPA in the 2010 Final Salary arrangement but before the NPA 2015 Career Average scheme, the benefits from

each arrangement may be taken separately. The same payable dates and retirement conditions for Age and Early Retirement (Actuarially Adjusted Benefits) apply for transition members as if separate entitlements applied, depending on the arrangement and whether the person was in employment or not when the applications was made. Individuals can, of course, apply for retirement benefits from both the 2010 and 2015 schemes if the relevant conditions are satisfied.

4.2 Commentary on members opting out between their 2010 Final salary NPA and their 2015 Career Average NPA

Complications can arise where a transition member becomes entitled to Age benefits in the 2010 Final Salary arrangement, having attained Normal Pension Age (NPA) 60 or 65 by opting out of all eligible employment. The person is not entitled to also take their benefits from the 2015 Career Average arrangement early, as a member must leave all eligible employment, including opted out service, in order to take their 2015 Career Average benefits before NPA, i.e. if a member wishes to take any of their benefits through Early Retirement, even if they have reached their NPA in another arrangement, they must leave all eligible employment in order to take all benefits. Furthermore, with the exception of Phased Retirement, if a member has benefits in more than one arrangement and wishes to take some of their benefits through Early Retirement they must take all their benefits from all arrangements at the same time.

Hence, members who are between their NPA in the Final Salary arrangement (NPA 60 or 65) and their NPA in the 2015 Career Average arrangement (the State Pension Age in force at retirement, or 65, whichever is higher), are able to activate Age Retirement benefits in the Final Salary arrangement by leaving or opting out of all employment after NPA in the Final salary arrangement. However, if these members opt out rather than leave all employment, they will need to wait to a later date in order to become entitled to their 2015 Career Average benefits, i.e. until such time that the relevant conditions needed to trigger 2015 Career Average entitlement have been met.

If the member were to leave all eligible employment, including opted-out service, the member could apply for Early Retirement (Actuarially Adjusted Benefits) from the 2015 Career Average arrangement or wait until after they've reached their Normal Pension Age in the arrangement. Again, all relevant conditions need to be met.

Example 1 - Transition member with benefits in the NPA60 section of the 2010 Final Salary arrangement, opting out after reaching age 60

Barbara Gordon was a member of the NPA 60 section of the 2010 Final Salary arrangement. She was born on 1 April 1964 and transitioned into the 2015 Career Average arrangement on 1 April 2018 at the age of 54. Barbara continued in employment in the Career Average arrangement electing to opt out of pensionable service on 1 April 2024, her 60th birthday.

By opting out of pensionable service under the 2015 Career Average arrangement, Barbara was also deemed to have left pensionable service under the 2010 Final Salary arrangement. Barbara became 'entitled' to the benefits from the 2010 Final Salary arrangement at age 60, but she did not submit the Age Retirement application until she was 63. Barbara received her 'automatic' and converted lump sum, which was backdated to the payable date of her 60th birthday, and interest was also added.

As Barbara remained in full-time opted out employment, her salary exceeded the 'earnings limit' in each year of post-benefit service. Consequently, her Final Salary pension was fully abated. As she remained in employment, Barbara did not meet the conditions for Early Retirement (Actuarially Adjusted Benefits) from the 2015 Career Average arrangement. It was not possible for Barbara to take Phased Retirement, as she did not have a requisite reduction in her salary.

Barbara opted to re-join the 2015 Career Average arrangement at the age of 64 on 1 April 2028 and also continued working in the same post beyond age 67, which was her Normal Pension Age in the 2015 Career Average arrangement. **NOTE** (see below)**. Barbara ceased employment at the age of 68 and applied for the benefits from the 2015 Career Average arrangement.

Barbara received her benefits from the 2015 Career Average arrangement, which included a late retirement enhancement in respect of service accrued up to age 67 as she remained in pensionable service after NPA in the 2015. The 2010 Final Salary arrangement pension ceased being abated from the age of 68 and Barbara began receiving pension payments from the 2010 Final Salary arrangement from that point onwards.

NOTE** *This assumes that the State Pension Age and, therefore, the Scheme's NPA for Barbara will remain as 67, which is the case at the time of writing. State Pension Ages are subject to review by the government.*

Example 2 - Member with a benefits in both the NPA 60 and 65 sections of the 2010 Final Salary arrangement, taking a break in employment after reaching age 60 and accruing future benefits in the Career Average arrangement

Tim Drake was a member of the NPA60 and then NPA65 sections of the 2010 Final Salary arrangement (known as 'mixed service'). Tim was born on 1 April 1958 and attained NPA 60 on 1 April 2018. Tim was active in the NPA65 section of the 2010 Final Salary arrangement and his tapered protection ended on 1 April 2020.

Tim continued in pensionable service until 31 March 2020, the day before his 62nd birthday, leaving his pensionable employment as an assistant head teacher in a maintained school. Tim took up new employment as part-time lecturer at a Further Education (FE) College on the 2 April 2020. On account of the break in employment of one day, Tim became entitled to benefits in the NPA60 section of the 2010 arrangement and he applied for these NPA60 benefits after leaving service.

Tim could also have applied for his NPA65 benefits at this point, if he had remained out of all pensionable employment for at least 6 weeks, but as he returned to work this option wasn't open to him; members have to be out of, or at the payable date must have left, all eligible employment in order to take Early Retirement (Actuarially Adjusted Benefits). Tim's re-employment earnings and pension were assessed for abatement, but the combined re-employment earnings and pension in the immediate tax years after taking benefits were below his index-linked salary of reference.

As Tim's tapered protection ceased on 31 March 2020, he began accruing pension in the 2015 Career Average arrangement in his new employment. Tim continued to work at the FE College until his 64th birthday on 1 April 2022, at which point he left all eligible teaching employment. Prior to his 64th birthday, Tim applied for Early Retirement (Actuarially Adjusted Benefits) in both the NPA65 section of the 2010 Final Salary arrangement and the 2015 Career Average arrangement and gave 6 weeks' notice of his intention to draw benefits with a retirement age of 64 years and a payable date of 13 May 2022.

After seeing an advertisement in the TES, Tim successfully applied for a post at a local Multi-Academy Trust on a full-time contract to become an acting deputy head, while the substantive post holder was seconded to OFSTED. He took up this post on his 65th birthday. As Tim's re-employment earnings, his Age Retirement pension in the NPA60 section and Early Retirement pensions in the NPA65 section of the 2010 Final Salary arrangement and the 2015 Career Average arrangement exceeded his index-linked salary of reference, Tim's Age Retirement pension in the 2010 arrangement was subject to abatement and stopped part-way through his

first year of re-employment. Due to the level of re-employment earnings, Tim's Age Retirement pension in the 2010 arrangement was abated for the whole of the second tax year of re-employment, starting on 6 April 2024. As Tim's employer submitted information about Tim's service and salary via MDC a Certificate of Re-employment was not required in this case.

Tim remained in post until his 67th birthday on 1 April 2025 and applied for his Career Average benefits exactly one year after his NPA of 66 in the Career Average arrangement. As a result of the late retirement from the Career Average arrangement, the Career Average benefit accrued up to age 66 was actuarially enhanced when it went into payment at age 67. The Career Average benefits earned between 66 and 67 are not subject to late retirement enhancement.

Example 3 - Mixed Service member with NPA60, NPA65 and Career Average benefits taking Early Retirement (Actuarially Adjusted Benefits)

Ms Selina Kyle was born on 1 April 1965 and entered pensionable employment in the Teachers' Pension Scheme in 1987 having an NPA of 60. Selina left teaching for a while, having a break of more than 5 years, but returned to the Teachers' Pension Scheme in September 2010. She began to accrue service with a NPA of 65. Selina transitioned into the 2015 Career Average arrangement on 1 April 2015.

Selina is, therefore, a Mixed Service member with NPA60, NPA65 and Career Average benefits and, in 2021 at the age of 56, decided to pursue a new opportunity outside teaching.

Selina wanted to only take benefits from the NPA 60 Final Salary section, but the regulations of the Teachers' Pension Scheme require that all benefits have to be taken where a member wishes to access all benefits early. Selina consulted an Independent Financial Adviser and finally took the decision to access all benefits early to support her new business venture.

Differences in Age ASAR entitlement conditions between 2010 and 2015 Schemes

Where a requalified member of the 2015 Career Average arrangement *applies for Age ASAR before leaving pensionable service, either by ceasing employment or by opting out*, the payable date will be from the day after leaving this pensionable service. A member who *applies for Age ASAR benefits having left all pensionable service (e.g. while in opted out service)*, will have a payable date which must not be earlier than 6 weeks after the date of application.

The position in respect of Age ASAR in the 2015 Career Average arrangement contrasts with the application and entitlement conditions for Age ASAR under the 2010 Final Salary arrangement. ***See section 5 for the different conditions.*** Under the 2010 arrangement, a person must leave all pensionable and opted out service before becoming entitled to benefits. Hence, under the 2010 arrangement, a member applying while in opted out as well as pensionable service will have a payable date immediately after leaving both pensionable and opted out service.

Under both the 2010 Final Salary and 2015 Career Average arrangements, a member who applies for Age ASAR after leaving both pensionable and opted out service will have a payable date of at least at least 6 weeks from the date of application.

In all cases, if the member remains in pensionable service until the age of 75 without a break, the member's payable date will be their 75th birthday.

Re-employment after retirement and abatement

If a person returns to teaching service or remains in teaching employment after taking Age Retirement or Premature Retirement from the 2010 Final Salary arrangement, the pension will be assessed for abatement. There is no abatement applicable to Early Retirement in the 2010 Final salary and 2015 Career Average arrangements. Abatement is not applied to Phased Retirement, but will apply to the final portion of benefits if they are taken after the NPA for those Final Salary arrangement benefits.

5. Additional Service after Retirement - Age Retirement ASAR and Early Retirement ASAR

This section covers taking pension benefits built up in ASAR after the NPA for those benefits (Age Retirement ASAR) and before the NPA for those benefits (Early Retirement ASAR).

5.1 Age ASAR under the 2010 Final Salary arrangement

Entitlement

To become entitled to an award of ASAR on or after NPA in the Final Salary Arrangement, a person in pensionable service who has qualified for further post-retirement benefits by completing one year of additional service can become entitled to ASAR benefits on leaving all teaching employment covered by the Teachers' Pensions Regulations. **It is not possible to become entitled to Age ASAR Retirement benefits in the 2010 Final Salary arrangement by opting out on or after NPA.**

Payable date

If the member applies ***while in pensionable or excluded employment****, the payable date is the day after leaving all eligible employment. If the member applies ***after leaving all pensionable and excluded employment***, the payable date must be a date not less than 6 weeks after the date that the application was made. In either case, if the member attains the age of 75, their 75th birthday will be the payable date.

**** Excluded employment is referred to in section 4 but includes opted out service.***

Re-employment after retirement and abatement

Abatement applies to ASAR pension payable under the 2010 Final Salary arrangement if taken on or after NPA.

Commentary

The number of cases of ASAR in the Final Salary arrangement is declining as these members had to have been re-employed prior to 1 April 2012 to be a protected re-employed 2010 Final Salary member. Anyone who entered ASAR on or after 1 April 2012 will have transitioned into the Career Average arrangement on 1 April 2015. Any member who retired and took up re-employment on or after 1 April 2015 would have all their ASAR service in the 2015 Career Average arrangement.

5.2 Age ASAR under the 2015 Career Average arrangement

Entitlement

To become entitled to ASAR on or after NPA in the Career Average arrangement, a person needs to have qualified for further retirement benefits ('requalified') by completing one year's further service. As well as becoming entitled to Age ASAR benefits on leaving all teaching employment, a member of ***the 2015 Career Average arrangement is able to opt out of pensionable service in order to become entitled to Age ASAR.*** This differs from the position in respect of the 2010 Final Salary arrangement, where a member must leave all eligible service in order to become entitled to benefits, i.e. it is not possible to opt out of the 2010 Final Salary arrangement and become entitled to Age ASAR benefits.

Payable date

A 'requalified' member of 2015 Career Average arrangement who is in pensionable service when the application is made, has a payable date from the day after leaving all pensionable service, including the date that a member is opted out of all pensionable service. A 'requalified' member who applies for benefits having left pensionable service, either by having left all eligible service or by means of opting out, will have a payable date which must not be earlier than 6 weeks after the date of application. In either case, if the member attains the age of 75, their 75th birthday will be the payable date.

Re-employment after retirement and abatement

There is no abatement applicable to Career Average ASAR benefits, although these benefits will be taken into account in terms of the abatement calculations applicable to any Age, Age ASAR and Premature retirement pension in payment from the 2010 Final Salary arrangement.

5.3 Early Retirement ASAR in Career Average and Final Salary

Commentary

There will be instances where a member takes ASAR before NPA if they have previously taken Early Retirement (Actuarially Adjusted Benefits) or Premature Retirement benefits after age 55. If they come back into further employment and undertake one year of service after retirement to become a requalified member,

such members may be take ASAR benefits before their NPA if they meet the relevant conditions. This will be NPA 60 or 65 for protected members or State Pension Age for Career Average members.

Entitlement

In both the 2010 Final Salary and 2015 Career Average arrangements, a member who has qualified for benefits with at least one years' re-employed service must leave all eligible employment in order to become entitled to Early Retirement ASAR.

Payable date for Early Retirement ASAR

A 'requalified' member of 2010 Final salary arrangement or 2015 Career Average arrangement **who applies for retirement benefits while in eligible employment (which includes opted out service)** has a payable date from the day after leaving that employment. A 'requalified' member who **applies for Early Retirement ASAR having left all eligible employment** will have a payable date which must not be earlier than 6 weeks after the date of application and before the member attains Normal Pension Age in the relevant arrangement.

Re-employment after retirement and abatement

There is no abatement applicable to Career Average ASAR benefits, although these benefits will be taken into account in terms of the abatement calculations applicable to any Age, Age ASAR and Premature retirement pension in payment from the 2010 Final Salary arrangement.

5.4 ASAR where a transition member has pensionable service under the 2010 Final Salary and the 2015 Career Average arrangements

Conditions for payment in respect of transition members

Transition members are those with rights to benefits in both the 2010 Final Salary and 2015 Career Average arrangements.

The same conditions stated earlier for Early ASAR and Age ASAR Retirement apply with regard to entitlement to ASAR benefits for 2010 Final Salary and 2015 Career Average members. The relevant payable dates will again depend on whether the person was or wasn't in pensionable / eligible employment when the application is made.

Commentary on members opting out while between the NPA for their 2010 Final Salary arrangement benefits and their 2015 Career Average benefits

Complications can arise where a transition member is entitled to Age Retirement benefits in the 2010 Final Salary arrangement having attained NPA 60 or 65 by **having opted out**, but the person is not entitled to take benefits early from the 2015 Career Average arrangement, as a member must leave all eligible employment in order to take Early Retirement (Actuarially Adjusted Benefits).

Hence, members who are between the NPA in the Final Salary arrangement (NPA 60 or 65) and their NPA in the 2015 Career Average arrangement (their State Pension Age in force at retirement or 65, whichever is higher) are able to activate Age Retirement benefits by either leaving all employment or opting out for all their employments after NPA in the Final Salary arrangement. If the member were to leave all eligible employment, including opted-out service, an alternative available to the member would be to apply for Early Retirement (Actuarially Adjusted Benefits) from the 2015 Career Average arrangement, providing all the relevant conditions for Early Retirement (Actuarially Adjusted Benefits) are met.

Where a requalified member of the 2015 Career Average arrangement ***applies for benefits before opting out of service***, the payable date will be from the day after leaving pensionable service. A member who ***applies for benefits having left all eligible employment*** will have a payable date which must not be earlier than 6 weeks after the date of application. In either case, if the member attains the age of 75, their 75th birthday will be the payable date.

Re-employment after retirement and abatement

There is no abatement applicable to Early Retirement ASAR in the 2010 Final Salary and 2015 Career Average arrangements, but these benefits will be taken into account in terms of the abatement calculations applicable to any Age Retirement, Age Retirement ASAR and Premature Retirement pension in payment from the 2010 arrangement.

There will be abatement applicable to Age Retirement ASAR benefits taken from the 2010 Final Salary arrangement, but only where these ASAR benefits are taken on or after NPA.

5.5 Late ASAR where a transition member with Final Salary and Career Average pension rights takes their benefits after their NPA in the 2015 Career Average arrangement

Entitlement and commentary

Where a transition member with ASAR rights in both the 2010 Final Salary and the 2015 Average Salary arrangements takes ASAR benefits after reaching their NPA in the 2015 Career Average arrangement, they will be able to opt out of the Career Average arrangement in order to become entitled to benefits from both arrangements. Similarly, entitlement to benefits will also arise on leaving all employment.

There is no late retirement factor applicable in respect of Age ASAR.

Payable date

A 'requalified' transitional member of 2010 Final salary or 2015 Career Average arrangement who applies for retirement benefits whilst in eligible employment has a payable date from the day after leaving that employment. The transition member who opts out after NPA can become entitled to benefits

A 'requalified' member who applies for benefits having left all eligible employment will have a payable date which must not be earlier than 6 weeks after the date of application. In either case, if the member remains in pensionable service and attains the age of 75, their 75th birthday will be the payable date.

Re-employment after retirement and abatement

There is no abatement applicable to Career Average ASAR benefits if a member were to resume employment after ASAR, although these benefits will be taken into account in terms of the abatement calculations applicable to any Age Retirement, Age Retirement ASAR and Premature Retirement pension in payment from the 2010 Final Salary arrangement.

With regard to ASAR benefits payable from the 2010 Final Salary arrangement on or after NPA, these will be subject to an abatement assessment, along with any other abatable pensions, in respect of any further re-employment earnings.

6. Phased Retirement

Entitlement

For Phased Retirement, entitlement arises where the basic conditions are met, including:

- agreement with the employer regarding the change to hours or role;
- the member being between the normal minimum pension age (currently 55) and before 75;
- the member being qualified for retirement benefits;
- a minimum reduction of 20% of the member's contributable salary compared with the salary prior to taking phased retirement;
- a minimum of 25% of the value of benefits being retained in the scheme; and
- either Condition 1 or Condition 2 being satisfied.

Phased Retirement conditions (Condition 1)

For members remaining in 'pensionable employment' or 'excluded employment' under the 2010 Final Salary scheme or 'eligible employment' under the 2015 Career Average scheme (i.e. any 'pensionable service' or 'opted out service'), the payable date is the date from which there is a relevant reduction in salary of 20%. If the payable date is **on or after 31 October 2017**, the earnings post reduction are compared with the salary earned in the **12 months** prior to the reduction in salary. If the payable date is **before 31 October 2017**, the earnings after the reduction in salary are compared with the salary earned in the **6 months** prior to the reduction in salary. An application for Phased Retirement must be received within 3 months of starting eligible employment at the reduced salary rate.

Phased Retirement conditions (Condition 2)

For members who take up or return to employment covered by the Teachers' Pension Scheme or take up other employment in the educational sector (except in an administrative role), the payable date is from the first day the member secures new employment in the new post or a role in education outside of employment covered by the Teachers' Pensions Regulations. Here, the out-of-service member must have a relevant reduction in salary of 20% compared with the salary earned in the previous post in the **12 months'** prior to leaving service, **if the payable date is on or after 31 October 2017**. If the payable date is **before this 31 October 2017**, pre-phased salary is averaged over **6 months**. A member has up to 6 months from the beginning of a break in employment to find further employment covered by the Teachers' Pension Scheme or an educational role (excluding that in an

administrative capacity) at this reduced rate. An application for Phased Retirement must be received within 3 months of taking up the new employment.

A word of warning...

To meet the ongoing conditions for Phased Retirement, total pensionable earnings must not exceed 80% of the pre-phased salary in the year after becoming entitled to Phased Retirement benefits, otherwise this will become a failed Phased Retirement and the award of retirement benefits will cease. The previously awarded retirement lump sum will then be treated as an unauthorised payment and subject to an unauthorised payments charge. Unauthorised payment charges are payable in respect of payments which do not meet the criteria for "authorised payments" set out in the Finance Act 2004. Members will be liable to a 40% unauthorised payments charge on the unauthorised payment made. In this case, as the tax free lump sum previously paid is not linked to a scheme pension payable for life, the previously paid lump sum will be subject to tax.

Please also be aware that if a member's rate of contributable salary is reduced to meet the relevant reduction in salary of 20% for a period of 12 months, if this reduced rate continues for a prolonged period, this could impact on the average salary used in calculating benefits relating to the 2010 Final Salary arrangement. Hence, if the contributable salary does not increase after the first year of Phased retirement, a member's average salary in the last 365 days of service or the best 3 consecutive revalued average salaries in the last 10 years may be affected. A member should also consider that any increase in contributable salary to a pre-Phased level could be subject to the restricted salary provision.

As previously stated, we recommend that employers and members seek independent financial advice in respect of any proposed course of action.

Postponement of entitlement to Age benefits in respect of Condition 2

During an interim period referred to in Condition 2 where a person is looking for new employment in teaching or the educational sector, a person does not become entitled to Age benefits while they are considering an application for Phased Retirement benefits. For the purposes of Phased Retirement, this applies where a person has left pensionable service or they take up a post outside teaching in a capacity ancillary to education (other than administration services).

Number of Phased Retirements allowed

If the member is in the 2010 Final Salary arrangement they can take two phased retirements before taking final benefits.

If the member is in the 2015 Career Average arrangement, they can take up to three Phased Retirements before finally retiring, but at least one phased retirement must be after the age of 60. (A Career Average member can only make two Phased Retirements under age 60.)

A member with Final salary and Career Average benefits, therefore, could take a maximum of 5 Phased Retirements, provided the relevant conditions are met. Transition members with benefits in both the 2010 Final Salary and 2015 Career Average arrangements can also choose to take different proportions from their Final Salary and Career Average benefits, rather than the same proportion of benefits from each, up to the maximum of 75% of the value of their benefits prior to their final retirement.

Return or move to higher paid employment after 12 months of Phased Retirement

Members can return to full-time employment or a salary in excess of 80% of pre-retirement earnings after meeting the 'Phased Retirement condition' for 12 or more months. The Phased Retirement pension will remain in payment. There is no abatement of Phased Retirement benefits in payment either before or after NPA, but Phased Retirement pension will be taken into account in any assessment of a prior abatable pension that is also in payment. The Final Age award will be subject to abatement.

Payable date for Age benefits after Phased Retirement under Conditions 1 or 2

Where a member was receiving Phased Retirement benefits after their NPA and they are not in pensionable service, the payable date of the final Age award after Phased Retirement will be backdated to the later of the following:

- To the member's NPA; or
- The date of leaving pensionable service after NPA.

Re-employment after retirement and abatement

There is no abatement of Phased Retirement benefits in payment either before or after NPA, but Phased Retirement pension will be taken into account in any assessment of a prior abatable pension that is also in payment. The final award of any Age Retirement pension in respect of the remaining amount (subject to a

minimum of 25%) of pension that needs to be retained in the scheme as a condition of phased retirement will be subject to an abatement assessment, if a person were to return to employment covered by the Teachers' Pensions regulations at a later date.

With regard to any remaining Age Retirement pension applied for after taking Phased Retirement benefits, the Age Retirement award will have a backdated payable date, as referred to above, but note that the retrospective Age Retirement award will be subject to abatement.

Further details about Phased Retirement can be found in the link below:

<https://www.teacherspensions.co.uk/employers/member-retirement/phased.aspx>

7. Premature Retirement

The award of Premature Retirement can only be granted at the discretion of the employer, and then only on the proviso that the relevant conditions are satisfied in terms of the Teachers' Pensions regulations and the Premature Retirement Compensation regulations. The employer is required to fund the costs of any mandatory compensation and any discretionary compensation that is awarded to the individual.

Details in respect of Premature Retirement can be found on the link below:

<https://www.teacherspensions.co.uk/employers/member-retirement/premature.aspx>

Abatement

If a person returns to employment covered by the Teachers' Pension regulations after taking Premature Retirement from the 2010 Final Salary arrangement, the Premature Retirement pension will be assessed for abatement.

8. Ill-health Retirement

Details regarding Ill-health Retirement can be found on the link to the ill-health factsheet below:

<https://www.teacherspensions.co.uk/~//media/Documents/Member/Factsheets/Applying%20for%20Retirement/Ill%20health%20retirement%20fact%20sheet%20V1%202.ashx>

9. NPA55 Members (TUPE of NHS teaching staff)

The Teachers' Pensions regulations provide that nurse or MHO (Mental Health Officer) tutors who were compulsorily transferred from an NHS employer to a College of Higher Education or post 1992 university in the 1990s will retain a pre-existing right to retire at age 55 on unreduced benefits in the NHS Pension Scheme, **but subject to certain conditions**.

The conditions for retaining a Normal Pension Age of 55 in the Teachers' Pension Scheme are set out below:

- 1) The member must have retained a right to retire at age 55 in the NHS Pension Scheme before their employment transferred to the Teachers' Pension Scheme. This right could have been lost prior to the compulsory transfer of employment. Teachers' Pensions has certain information provided at the time of the compulsory transfer, but where there is any doubt the NHS Pension Scheme will be consulted;
- 2) The original transfer of employment had to be as a result of a compulsory TUPE transfer from employment covered by the NHS to that of the Teachers' Pension Scheme, usually a College of Higher Education or a post 1992 University. This again should be on the member's record. If not, Teachers' Pensions will need to write to the relevant employer;
- 3) The member must not have had a break in employment between moving from the NHS Pension Scheme and joining the Teachers' Pension Scheme at the point of TUPE transfer. If a person was on maternity or sick leave, that would count as a continuation of employment;
- 4) Any break in pensionable employment must be less than 5 years ending after 6 March 1995 in order to retain the right to retire at age 55. A break of 5 years or more in pensionable employment will mean that the right is lost;
- 5) The member who has a break in employment must come back into pensionable employment in nurse education or MHO education field within the Teachers' Pension Scheme. The right to NPA 55 will be lost if the member comes back in a teaching post not related to nurse education or MHO education before the age of 55;
- 6) The person must be in nurse / MHO employment at the age of 55;

EXCEPTION: The only exception to this is where a person was made compulsorily redundant from their teaching post. This change was made by way of an amendment to the 2010 regulations, effective from 1 April 2015.

- 7) As stated in (5) above, the person must be in pensionable employment in the Teachers' Pension Scheme on his or her 55th birthday, with the exception of a person who was made compulsorily redundant from a nurse or MHO role.

If these conditions are met, the person will retain the right to retire on unreduced Age benefits at age 55, or the day after leaving pensionable employment if over 55.

Please also note that a such a person who meets all these conditions retains the right to retire on Age grounds at age 55 or after 55 if the individual remains in pensionable service, regardless of whether they transfer their NHS benefits into the Teachers' Pension Scheme or not.

In all other respects, members who exercise their right to take unreduced benefits at the age of 55 on Age grounds will be treated in the same way at members with a NPA of 60. Such benefits will also be subject to abatement. Members who continue in employment after 55 and who retain the right to retire on unreduced benefits at 55 will also be able to take Phased Retirement benefits if they wish, assuming the relevant conditions for Phased Retirement are satisfied.

10. ANNEX 1 - Summary of benefits from the 2010 Final Salary and the 2015 Career Average arrangements

Teachers' Pension Scheme Design	Final Salary Joiners (Pre 01/01/2007)	Final Salary Joiners between 01/01/2007 - 31/03/2015	Career Average (Post 01/04/2015)
Normal Pension Age	60	65	NPA equals State Pension Age or 65 where that is higher
Accrual Rate (The rate at which a member's pension builds up)	1/80th pension plus automatic lump sum	1/60th pension	1/57th pension which is increased each year the member is in service by Treasury Order plus 1.6%. If a member is deferred (out of service) the increase is by Pension Increase only
Pensionable pay used in calculation of benefits where payable date on or after 1 January 2007	Average pensionable salary in the last 365 days of average salary service or best 3 consecutive revalued average salaries in the 10 years prior to leaving service.	Average pensionable salary in the last 365 days of average salary service or best 3 consecutive revalued average salaries in the 10 years prior to leaving service.	Pensionable earnings, including overtime are used in each financial year. 'Transition members' with benefits in Final Salary and Career Average arrangements may have 'Final Salary link' with current salary used to calculate against previous Final Salary service, subject to certain conditions.
Phased Retirement	Opportunity to take 2 phased retirements before final retirement	Opportunity to take 2 phased retirements before final retirement	Opportunity to take three phased retirements (2 before aged 60) before final retirement
Retirement Lump Sum	Automatic lump sum = 3 x pension Can also convert part of pension to receive additional lump sum (if a member has service post 01/01/07)	No automatic lump sum, but member can convert part of pension to receive a lump sum	No automatic lump sum but member can convert part of pension to receive a lump sum

Teachers' Pension Scheme Design	Final Salary Joiners (Pre 01/01/2007)	Final Salary Joiners between 01/01/2007 - 31/03/2015	Career Average (Post 01/04/2015)
Actuarial Adjustment (where benefits are been taken before NPA)	Benefits actuarially adjusted by approximately 5% for each year they are taken early	Benefits actuarially adjusted by approximately 5% for each year they are taken early	Benefits actuarially adjusted by a fixed 3% for each year between 65 and the age at which they retire subject to a maximum of 3 years thereafter adjusted by approximately 5%. 3% only applies to members retiring from active status.
Flexibilities	<ul style="list-style-type: none"> • Additional pension from 1 January 2007, • Past Added Years (PAY), • Contributions based on a former higher salary; • Combined contributions • Teachers' AVCs with Prudential or an individual policy 	<ul style="list-style-type: none"> • Additional pension • AVCs with Prudential or an individual policy 	<ul style="list-style-type: none"> • Additional pension, • Faster accrual • 'Buy-out' of actuarial reduction • Teachers' AVCs with Prudential or an individual policy
'In-service' Death Grant (one off payment where a member dies before becoming entitled to their pension)	3 x final average salary (Active member)	3 x final average salary (Active member)	3 x full time equivalent salary at date of death (Active member)
'Out-of-service' Death Grant	3/80 th of final average salary x reckonable service (or 3 x the member's pension)	3/80 th of final average salary x reckonable service (or 2.25 x the member's pension)	2.25 x the accrued earned pension